
CLIMATE TRANSITION RISK MANAGEMENT RATING METHODOLOGY

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1. Purpose and Scope

The primary purpose of this methodology is to assess organizations' Climate Transition Risk Management (CTRM) performance on the basis of a robust and standardized framework. The ratings are designed to support investors in making informed decisions, promote corporate sustainability and sustainable finance, and contribute to the United Nations Sustainable Development Goals, the EU Green Deal, and all relevant regulations and evolving sustainability taxonomies. This document describes in detail the processes, criteria and governance mechanisms that form the basis of the CTRM rating methodology and ensures alignment with ESMA and ICMA requirements for transparency, accountability and reliability.

2. Key Features of the Methodology

- **Comprehensive Framework:** The methodology evaluates climate transition risk factors under four main pillars: 1) Governance and Strategic Integration, 2) Risk and Opportunity Assessment, 3) Financial Impact and Investment Planning, and 4) Reporting and Monitoring. The assessment uses both quantitative and qualitative data across 151 questions.
- **Data-Driven Approach:** It is based on verified data obtained from multiple sources, including company disclosures, third-party databases and CGE's own research.
- **Transparency and Consistency:** Rating criteria, weighting mechanisms and scoring methodologies are clearly disclosed to ensure consistency and comparability across ratings.
- **Alignment with Global Standards:** The methodology incorporates internationally accepted frameworks such as the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), and the Task Force on Climate-related Financial Disclosures (TCFD), as well as IFRS ISSB 1-2 (International Sustainability Reporting Standards), ESRS (EU Sustainability Reporting Standards), TSRS 1-2 (Turkish Sustainability Reporting Standards), and IFC and CDP requirements.

3. Governance and Oversight

The development and implementation of this methodology are governed by the Rating Committee established to ensure independence, impartiality and alignment with best practices. Robust conflict-of-interest policies are applied to preserve the integrity of the ratings.

4. Alignment with ESMA and ICMA Requirements

This methodology is designed to meet ESMA and ICMA expectations for ESG rating providers. This includes:

- Clear disclosure of rating methodologies and processes.
- Regular updates and reviews to reflect developments in market practices and regulatory requirements.
- Mechanisms to address and mitigate potential conflicts of interest.

5. Methodology Overview

The Climate Transition Risk Management (CTRM) Rating Methodology developed by CGE Evaluation is designed to enable a transparent, consistent and reliable assessment of the Climate Transition Risk Management performance of companies, supply chains and financial instruments. The methodology is based on a robust framework that brings together internationally accepted standards, good practices and stakeholder expectations. The core components and principles underlying our approach are presented below.

The methodology assesses CTRM performance under four main pillars:

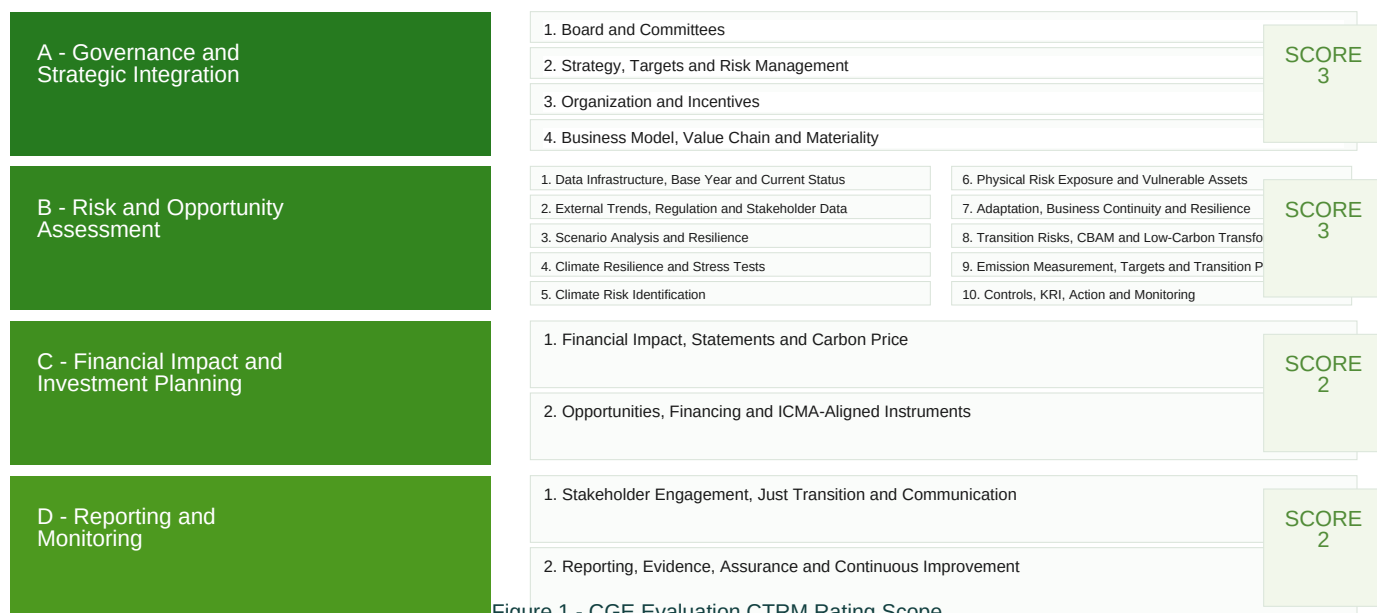


Figure 1 - CGE Evaluation CTRM Rating Scope

5.1. Definition of CTRM Factors

5.1.1. Governance and Strategic Integration

This heading assesses an organization's leadership structure, strategies, targets, organization, risk management and internal control mechanisms. It covers an evidence-based evaluation of the organization, responsibilities, strategies and targets for defining climate policies and strategies at board and committee level; integrating them into company strategy and resource allocation processes; regularly monitoring indicators for mitigating the impacts of risks; and taking additional actions to minimize the economic, social and governance impacts of climate risks and manage those risks.

Key themes and indicators include:

Board of Directors and Committees

- Responsibilities of the board of directors regarding climate risks and opportunities
- Sub-committees and their responsibilities regarding climate risks and opportunities
- Monitoring and decisions taken.

Strategy, Targets and Risk Management

- Integration of the strategic plan, prepared with the participation of senior management and all management teams, with sustainability and climate risks
- Coverage of climate-related risks and opportunities and material topics in corporate strategy and targets
- Strategy-target-budget relationship and coverage of climate-related risks and opportunities
- Coverage of all company processes, business units, activities and downstream/upstream value-chain stakeholders by the climate transition plan
- Resilience

Organization and Incentives

- Units and positions responsible for managing climate risks and opportunities

- Internal audit and internal control functions and responsibilities
- Controls, procedures and approval mechanisms for climate risks and opportunities
- Reporting
- Translation of climate risk and target indicators into senior management, business-unit management and employee performance indicators, and their linkage with remuneration or reward processes
- Budgeting and planning
- Independent control
- Trainings

Business Model, Value Chain and Materiality

- Impact and materiality of climate-related issues on core activities, products/services, revenues and assets
- Scope 3 categories and value-chain emission/risk concentration areas
- Geographic areas, facilities, asset types, supplier and customer segments where climate risks and opportunities are concentrated
- Stakeholder relations and engagement
- Assets, products, processes and markets that may create opportunities in terms of climate risks

Weighting

The Governance and Strategic Integration section consists of 4 subheadings (shown in Figure 1) and 32 questions. Considering the importance of planning in terms of implementation effectiveness and resource allocation, the section weight is set at 3 in a 10-point score structure and has a weight of 30%. Specific weights are assigned to each theme according to its level of materiality.

5.1.2. Risk and Opportunity Assessment

This heading covers an organization's risk management, sustainability and climate risk and opportunity management procedures and processes. Key themes and indicators include:

Data Infrastructure, Base Year and Current Status

- Scope of the climate risk and opportunity assessment
- Emission measurement, assessment and monitoring processes
- Energy, fuel, water, raw material, waste, production, logistics, sales, asset and location data
- Historical climate events, business interruptions, production losses, damage costs, maintenance/repair expenses, insurance claims and customer/supply disruptions
- Climate-related cost, revenue, investment and operational indicators
- Data gaps, estimation methods, uncertainties and improvement actions

External Trends, Regulation and Stakeholder Data

- Local/global climate projections, historical climate data and reliable external data sources
- Regulations such as sectoral climate policies
- National, regional and sectoral low-carbon roadmaps, technology roadmaps and science-based transition pathways
- Critical supplier and customer locations, physical risk, regulatory risk, carbon cost and business continuity
- Insurance

Scenario Analysis and Resilience

- Use of climate-related scenario analysis
- Coverage by scenario analysis of the organization's own operations as well as critical suppliers, customers, logistics channels and relevant geographies
- Key variables such as carbon price, energy cost, technology cost, product demand, water stress, extreme weather events, regulatory change and cost of finance
- Uncertainty areas, data constraints and management judgements in scenario analysis
- Stress or resilience testing
- Definitions of short, medium and long term in line with the company's strategic planning and budget processes

Climate Resilience and Stress Tests

- Climate resilience of the business model and value chain
- How mitigation, adaptation and climate-resilience investments affect risk level, business continuity and financial resilience
- Stress test results that make critical thresholds visible in terms of liquidity, profitability, operational continuity, supply, compliance or access to finance
- Correlations, trade-offs and combined effects between physical risks and transition risks

Identification of Climate Risks (Risk/Opportunity Inventory, Classification and Scoring)

- Climate risk and opportunity inventory
- Risk classes
- Risk and opportunity impacts
- Root causes and maximum potential impact
- Probability, impact, frequency, financial materiality and risk appetite criteria
- Risk and opportunity monitoring
- Emergency and incident management

Physical Risk Exposure and Vulnerable Assets

- Assets, facilities, operations and value-chain points vulnerable to climate-related physical risks
- Acute physical risks such as flood, storm, hail, forest fire, extreme heat and frost
- Chronic physical risks such as water stress, drought, temperature increase, sea-level rise, changes in precipitation patterns, biodiversity and soil fertility
- Impacts of physical risks on asset damage, production capacity, logistics, employee health and safety, supply chain and customer deliveries
- Financial impacts of physical risks
- Critical suppliers, customers, warehouses/ports/transport routes and other dependencies
- New facility, asset, supplier or geographic market entry decisions
- Insurance coverage of acute physical risks

Adaptation, Business Continuity and Resilience

- Actions and capital/operational expenditures to reduce the impact of climate-related physical risks
- Business continuity, emergency and crisis management plans
- Engineering, maintenance, drainage, fire prevention, water/energy backup, cooling, safety and equipment improvement measures for critical physical risks
- Insurance coverage
- Employee health and safety plans
- Physical risk actions
- Effectiveness of adaptation actions
- Exercises for climate-related crisis and business continuity plans

Transition Risks, CBAM and Low-Carbon Transformation

- Definition of transition risks arising from policy/legal regulation, carbon pricing, technology change, market expectations and reputation
- Analysis of product, customer, supplier, embedded-emission, reporting and cost risks within the scope of CBAM
- Technologies, processes, assets and products with high carbon emissions
- Plans to replace high-carbon technologies or assets with low-carbon alternatives
- Low-carbon technology alternatives
- Transition projects
- Carbon lock-in risk, asset life, capacity increase, compatibility with future low-carbon fuel/technology and exit/phase-out conditions in transition investments

Emission Measurement, Targets and Transition Plan

- Emission reduction targets
- Alignment of emission reduction targets with the Paris Agreement, 1.5°C or at least below-2°C transition pathways
- Definition of emission reduction targets for critical milestones such as 2030, 2035 and 2050

- Verification of emission reduction targets through SBTi or an equivalent science-based framework
- Comparison of actual emission reductions with targets; reasons for deviations, corrective actions and financial/operational impacts
- Use of carbon credits or offsets
- Transition plan and scope

Controls, KRI, Action and Monitoring

- Existing controls and measures
- Critical controls, control owners, control frequency and evidence records for high and critical climate risks
- Climate-risk targets, risk-monitoring indicators and target-monitoring indicators
- Early-warning thresholds for key risk indicators
- Risk mitigation, adaptation and opportunity actions
- Decisions to accept, mitigate, transfer or avoid risk
- Reflection of actual incidents, near misses, control weaknesses, new regulations and market developments in risk assessments and action plans

Weighting

The Risk and Opportunity Assessment section consists of 10 subheadings (shown in Figure 1) and 86 questions. Considering the importance of planning in terms of implementation effectiveness and resource allocation, the section weight is set at 3 in a 10-point score structure and has a weight of 30%. Specific weights are assigned to each theme according to its level of materiality.

5.1.3. Financial Impact and Investment Planning

This section covers the analysis and planning of the impact of climate risks on the organization's value chain according to the physical or transition dimension of the risk. Key themes and indicators include:

Financial Impact, Financial Statements and Internal Carbon Price

- Qualitative and quantitative impacts of climate risks and opportunities on financial position, financial performance and cash flows in the short, medium and long term
- A control approach linked to balance sheet, income statement and cash flow statement items and preventing double counting
- Capital expenditures (CAPEX), operational expenditures (OPEX), financing needs and investment plan covering climate policies and targets
- Internal carbon pricing, internal carbon price level, area of use, assumptions, update frequency and impact on financial decision-making processes
- Risk mitigation investments
- Data sources used in financial impact calculations

Opportunities, Financing and ICMA-Aligned Instruments

- Consideration of climate-related opportunities across products/services, markets, efficiency, resilience, asset optimization, access to finance and reputation
- Analysis of opportunities in terms of revenue increase, cost savings, avoided losses, investment needs, implementation period, payback and risk-reduction contribution
- List of assets, activities or lines of business aligned with climate opportunities and their financial contribution
- Low-carbon product, service and new market opportunities
- Energy, water, resource, logistics, waste and operational efficiency opportunities
- Green, sustainable, climate transition or sustainability-linked financing instruments
- Eligible project selection for sustainable finance instruments
- Selected KPI/SPTs
- Need for independent assessment or verification for transition finance, climate bonds, sustainable finance frameworks or linked KPI/SPTs

Weighting

The Financial Impact and Investment Planning section consists of 2 subheadings (shown in Figure 1) and 17 questions. Considering the importance of planning in terms of implementation effectiveness and resource allocation, the section weight is set at 2 in a 10-point score structure and has a weight of 20%. Specific weights are assigned to each theme according to its level of materiality.

5.1.4. Reporting and Monitoring

This section covers matters related to transparent reporting, independent assessment and monitoring of the organization's activities and performance in managing climate risks according to their physical or transition dimension. Key themes and indicators include:

Stakeholder Engagement, Just Transition and Communication

- Identification and cooperation of internal and external stakeholders related to transition and physical risks, and the stakeholder engagement process
- Scope and boundaries of climate risks and opportunities
- Environmental and social impacts of risks and mitigation plans within the scope of just transition
- Internal and external communication, feedback or grievance mechanisms

Reporting, Evidence, Assurance and Continuous Improvement

- Period and scope of climate risk and opportunity reporting
- Management and security of evidence documents for policies, risk/opportunity inventory, scenario analysis, GHG inventory, financial impact calculations, investment decisions and board decisions
- Receipt of audit and verification services from independent parties
- Board and committee reporting
- Updating and continuous improvement of the climate risk and opportunity assessment methodology, assumptions, thresholds, scoring criteria and data sources

Weighting

The Reporting and Monitoring section consists of 2 subheadings (shown in Figure 1) and 16 questions. Considering the importance of planning in terms of implementation effectiveness and resource allocation, the section weight is set at 2 in a 10-point score structure and has a weight of 20%. Specific weights are assigned to each theme according to its level of materiality.

6. Scoring Methodology

Each indicator under the Environmental, Social and Governance pillars is scored on a predefined scale (between 0 and 1). The scoring process includes the following elements:

Data Analysis

- Quantitative data are analyzed using standardized metrics and benchmarks.
- Qualitative data are assessed according to the robustness of policies, practices and disclosures.

Weighting and Aggregation

- Scores for each indicator are weighted according to materiality level and sector relevance.
- Weighted scores are aggregated to form sub-scores for each theme and pillar.

Normalization

- Scores are normalized to take into account differences in company size, geography and sector.
- Normalization ensures comparability across companies and sectors.

Final Rating Calculation

The final CTRM rating is calculated by combining the weighted scores of the sections. The rating is presented on a predefined scale (Score: 0-10, Success Rate: 0%-100% and Letter Grade: D- to A+) and shared with a detailed report including:

- Score distribution by pillar and theme
- Insights on strengths and areas open to improvement
- Peer comparisons and trend analyses

Conclusion

The CTRM Rating Framework provides a comprehensive and transparent approach to assessing companies' climate transition risk management performance. By leveraging sector-specific criteria, a strong data infrastructure and a structured scoring methodology, CGE Evaluation delivers reliable and actionable ratings that support informed decision-making processes and promote sustainable finance.

7. CTRM Rating Process

The CTRM Assessment and Rating process consists of the following stages:

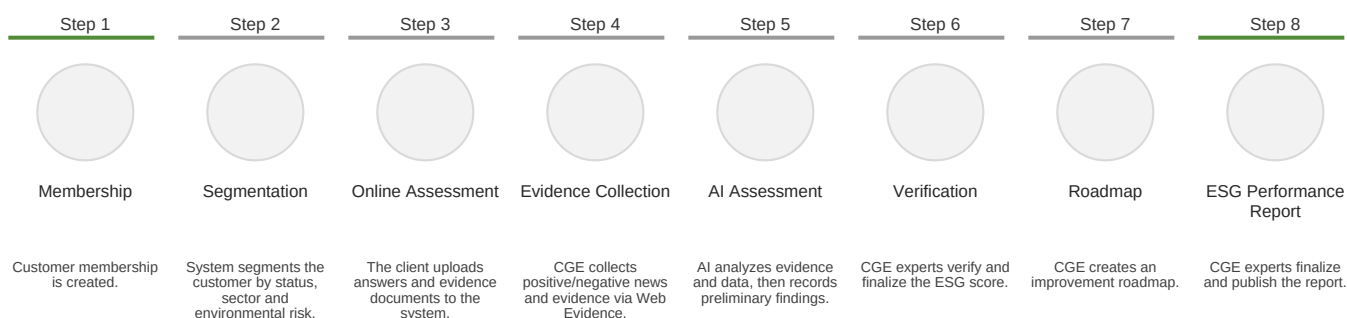


Figure 2 - CGE Evaluation CTRM Assessment / Rating Methodology

7.1. Methodology Outputs

The final output of the methodology is a CTRM rating expressed on a predefined scale from 0 to 10 points.

The total score obtainable in the sections varies according to sector, environmental risks and question-subsection-section weights.

The total weights assigned to each question constitute the subsection score, while the sum of the scores formed in line with subsection weights creates the CTRM score.

For each question, subsection, four main sections and the total ESG score, the success rate is calculated by proportioning the score obtained to the score obtainable according to the weights. In the report, the assessed organization can see both its score on a 10-point scale and its comparative success percentage calculated according to the highest obtainable score.

These rates are finalized as a result of expert consultant assessments and verification processes. In addition, scores are matched with letter grades (A+, A, B+, B, C+, C, D+, D) to ensure alignment with international standards. The rating is accompanied by a detailed report including:

- Score distribution under the four CTRM headings and subheadings
- Analyses of strengths and areas open to improvement
- Peer comparisons and trend analyses

Score	Success Rate	Letter Grade	Description
9-10	90% and above	A+	The 76%-100% range indicates high performance.
7-8.99	85%-89% 76%-84%	A A-	The 76%-100% range indicates high performance.
5-6.99	70%-75% 59%-69% 50%-58%	B+ B B-	Success scores below 75% indicate a good level of competence, with areas for improvement for excellent performance.
3-4.9	43%-49% 36%-42% 30%-35%	C+ C C-	Success scores below 50% show that the level of competence is moderately open to improvement.
0-2.9	21%-29% 10%-20% 0%-9%	D+ D D-	Success scores below 25% show that the level of competence needs significant improvement.

Scores are presented in the form of heat maps and graphs.

8. Supply Chain CTRM Assessment and Index

With the CGE Supply Chain Index application, the sustainability performance of stakeholders within the value chain is also measured and reported. The assessment process is as follows:

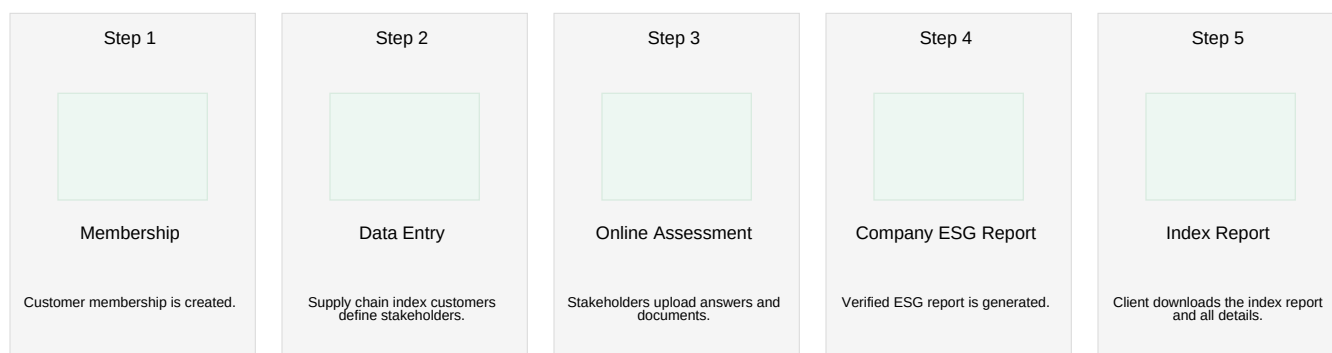


Figure 3 - CGE Evaluation Supply Chain CTRM Assessment / Rating Methodology

In index reports, sector- and scale-based indexes will be created, and the current and year-over-year changing scores of all distributors/dealers/customers/suppliers and similar stakeholders assessed on behalf of our clients can be monitored. Stakeholders can be tracked over the years together with sector-based comparisons.

Within the scope of the index application, organizations can monitor the climate transition risk management scores of the stakeholders they assess by sector, scale and company, across all sections and subheadings over the years, and track their development in sustainability areas. They can also access detailed reports of assessed organizations and provide feedback to their stakeholders so that action can be taken in areas open to improvement. Assessed stakeholders can also download their detailed reports and improvement recommendations through the system.

Key Features:

- The assessing organization can monitor the CTRM scores of the companies it assesses through the dashboard by year (5 years), by sector and by company.
- It can access and download company detailed reports and roadmaps from the management area.
- Assessed companies can view and download their own reports and roadmaps.
- Evidence information and documents added for questions can be monitored in the assessing company's admin area for up to 5 years.
- One-to-one meetings are held with company management teams.
- Site visits are conducted when necessary.

9. Data Collection and Sources

The accuracy and reliability of CTRM ratings depend on the quality of the data used in the assessment process. This section explains the data collection process, the types of data used and the measures taken to ensure data integrity and relevance.

The data collection and source management process is one of the cornerstones of the CTRM Rating Methodology. Through effective use of different data sources and the implementation of rigorous verification and quality assurance processes, CGE Evaluation ensures that CTRM ratings are accurate, reliable and actionable. This approach to data integrity supports informed decision-making and contributes to the development of sustainable finance.

9.1. Data Types

The CTRM Rating Methodology is based on the combined use of quantitative and qualitative data to assess organizations' Climate Transition Risk Management performance. Data are classified as follows:

9.1.1. Quantitative Data

- Consists of measurable and comparable numerical data. For example:
 - o Greenhouse gas (GHG) emissions (Scopes 1-2-3)
 - o Energy and water consumption
 - o Recycling rate
 - o Renewable energy rate
 - o Ratio of audited critical suppliers
- Used to provide objective metrics for scoring and benchmarking.

9.1.2. Qualitative Data

- Consists of descriptive data that provide context and insight. For example:
 - o Company policies and procedures on climate change and biodiversity, climate action plans
 - o Scenarios and impact analyses
 - o Climate risk and opportunity definitions and financial impact analyses
 - o Board and committee job descriptions and decisions

- o Remuneration and performance management procedures and practices

9.2. Data Sources

To ensure comprehensiveness and reliability, data are collected from various sources. The main sources are:

9.2.1. Organization Disclosures

- Publicly available reports such as sustainability reports, annual reports and regulatory filings
- Collection of positive and negative news about the assessed organization on the internet through the CGE Web Evidence tool
- Data provided directly by companies through surveys or questionnaires

9.2.2. Third-Party Databases

- Reliable external databases providing ESG-related data. For example:
 - o Carbon Disclosure Project (CDP)
 - o Bloomberg ESG Data
 - o Other international indexes
- Sector-based databases providing sector-specific metrics

9.2.3. Public and Regulatory Sources

- Data obtained from public institutions, regulatory authorities and international organizations. For example:
 - o Ministry of Environment, Urbanization and Climate Change
 - o European Environment Agency (EEA)

9.2.4. Media and News Sources

- News, press releases and other media content to monitor current developments and potential controversies related to climate issues

9.2.5. Stakeholder Feedback

- Opinions received from stakeholders, including investors, non-governmental organizations and industry experts, to provide additional context and verification

9.3. Ensuring Data Quality

The following measures are applied to maintain the highest data quality standards:

9.3.1. Robust Verification Processes

- Verification of data from multiple sources and consistency checks
- Inconsistencies are flagged and resolved through further review

9.3.2. Regular Updates

- Periodic updating of data to ensure currency and relevance
- Real-time monitoring of critical CTRM issues such as controversies or regulatory changes

9.3.4. Stakeholder Engagement

- Companies are given the opportunity to review and verify their data before ratings are finalized
 - Stakeholder feedback is integrated into the process to improve data accuracy and relevance
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9.3.5. Transparency

- Building trust by disclosing to stakeholders the data sources and data types used in the rating process

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